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FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS AND REPORTS OF THE BOARD OF AUDITORS

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly, pursuant to Assembly resolution 47/211 of 23 December 1992, the concise summary of principal findings, conclusions and recommendations contained in the reports of the audit of the accounts for the financial period ended 31 December 1994 prepared by the Board of Auditors (see annex).

* A/50/150.

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Letter of transmittal

28 June 1995

Sir,

I have the honour to transmit to you in accordance with the request by the General Assembly in paragraph 18 of resolution 47/211, the concise summary of principal findings, conclusions and recommendations contained in the reports prepared by the Board of Auditors for the General Assembly at its fiftieth session.

Accept, Sir, the assurances of my highest consideration.

(Signed) Codanda Ganapathi SOMIAH
Comptroller and Auditor General
of India
and Chairman
United Nations Board of Auditors

The Secretary-General of the United Nations
New York, N.Y.

ANNEX

Concise summary of principal findings, conclusions and recommendations contained in the reports prepared by the Board of Auditors for the General Assembly at its fiftieth session

1. The following is the concise summary of principal findings, conclusions and recommendations contained in the reports of the Board of Auditors, presented pursuant to paragraph 18 of General Assembly resolution 47/211 of 23 December 1992.

2. The findings, conclusions and recommendations included in the present report are those which the Board deems to be the most significant and are presented by organization. The paragraph(s) in the corresponding report where the details can be found are indicated. Other findings, conclusions and recommendations can be found in the individual reports.

3. Because 1994 was the first year of the biennium 1994-1995, the Board has prepared reports on the two organizations which have annual financial periods:

(a) United Nations Institute for Training and Research (UNITAR); a/

(b) Voluntary funds administered by the United Nations High Commissioner for Refugees (UNHCR). b/

United Nations Institute for Training and Research

Special purpose grant funds

4. The UNITAR General Fund showed a substantial surplus on operations in 1994. However, a number of special purpose grant funds remain in deficit. The Board reiterated its view that these long-standing deficits should be resolved. In each case, UNITAR should conduct a detailed assessment of the collectibility of debts. Where amounts are deemed irrecoverable, and in view of the improving state of the UNITAR General Fund, a gradual write-off of deficit balances against the Fund appears to be the most feasible solution (A/50/5/Add.4, sect. II, paras. 16 and 19-22).

Procurement

5. In several instances, UNITAR did not use the Purchasing Services of the United Nations Office at Geneva as required. In one of these cases, UNITAR awarded a contract without the approval of the Committee on Contracts; and in another case UNITAR awarded a contract to a firm that was not on the list of acceptable contractors. The Board recommended that in the future UNITAR should follow the United Nations procurement procedures and adhere to the financial regulations and rules on procurement of goods and services (ibid., paras. 29-31).

Cases of fraud and presumptive fraud

6. No cases of fraud or presumptive fraud were found relating to the financial period ended 31 December 1994 (ibid., para. 32).

Voluntary funds administered by the United Nations High Commissioner for Refugees

Programme management

7. In the absence of a proper system at UNHCR headquarters to collect and review all relevant project agreements and project monitoring reports, UNHCR was deprived of an effective management tool for monitoring and control of the programme activities. The Board recommended that a proper system of collection, recording and analysis of information regarding programme implementation should be established at UNHCR headquarters. This should be used for more regular monitoring of the implementation of programmes and projects by the field offices and implementing agencies (A/50/5/Add.5, sect. I, paras. 53 and 54).

8. There was widespread omission of the preparation of work plans by the field offices and by the implementing partners which adversely affected the implementation of projects and programmes, even in critical areas such as crop production schemes in Angola and Mozambique. In addition, delays in the issue of Letters of Instruction by UNHCR headquarters and the consequent delays in the signing of agreements with the implementing partners made the latter unaware of their responsibilities and also the exact amount of financial commitments. Moreover, ambiguity in the agreements signed with some implementing partners led to additional claims, including one for $12.2 million. Programme planning should be strengthened to ensure that Letters of Instruction are issued in time and detailed work plans are prepared for all programmes and projects. It should also be ensured that precisely worded project and sub-project agreements are signed with implementing partners prior to the start of the projects (ibid., paras. 55-66).

9. The selection of implementing partners was not judicious. There were multiple agencies operating in the same area, resulting in duplication of work and avoidable expenditures. For instance in Manila, there were as many as 10 agencies implementing four projects, and in Tokyo, there were seven agencies implementing programmes for only 194 refugees. One of these implementing partners had just two refugees under its care. UNHCR explained that in many instances there was little opportunity to restrict the number of implementing partners because of the circumstances in which it operated. The Board, however, believes that UNHCR should be more selective in identifying the implementing partners and restrict their number to the optimum manageable level so as to ensure economy in programme delivery and support cost (ibid., paras. 67 and 68).

10. The system of maintenance of accounting records, preparation of accounts, and maintenance of cash and bank accounts by the various implementing partners in respect of UNHCR funds was unsatisfactory. This led to unauthorized withdrawal of funds and improper retention of accrued interest by the implementing partners amounting to $590,800. The Board recommended that UNHCR

should ensure that implementing partners maintain separate accounts for UNHCR funds. UNHCR should also develop an appropriate monitoring procedure to ensure compliance with its established requirements (ibid., paras. 74-79).

Procurement

11. Quotation requests for frame agreements did not include information regarding the estimated quantities likely to be purchased, nor were they adequately publicized. The Board recommended that suitable provisions should be included in the quotation requests to indicate the estimated quantities likely to be purchased so as to generate more competitive bids. In addition, maximum publicity should be given by UNHCR before finalizing frame agreements so that world-wide competition could be generated for bulk-purchase commodities. Further, field offices should be authorized to purchase their requirements against frame agreements, subject to quantity and budget restrictions (ibid., paras. 97-103).

12. The Board also recommended that annual purchasing plans should cover a greater range of commonly used articles. The Board further recommended that the major user offices should be associated in this exercise. In addition, the market survey mechanisms for collecting data regarding reliable sources of supply, trend of prices and the lead-time required for the supply of materials should be strengthened. Such data should be made available to the responsible officers to permit better purchase planning (ibid., paras. 92-96).

13. UNHCR did not have a proper system of vendor performance evaluation and vendor rating in the organization. Quotation requests and purchase orders were being placed repeatedly with certain suppliers while others were not being invited to bid. The Board recommended that appropriate procedures should be established for regular vendor performance evaluation and vendor rating, and that vendor lists should be updated periodically (ibid., paras. 104-106).

14. Receiving reports were received only for 57 per cent of the purchase orders raised as of September 1994. This limited the information available on receipt and distribution of goods to beneficiaries and affected timely filing of insurance and warranty claims (ibid., para. 107).

Expendable and non-expendable property

15. The data maintained on non-expendable property were incomplete and inaccurate. Physical verification reports due from many field offices were either not received or were received late. Discrepancies in stock accounts were not corrected in most cases and follow-up action to locate the missing items was inadequate. The Board recommended that efforts should be made to implement the new asset management system as early as possible and, in the interim, suitable arrangements should be made to track and record all acquisitions of property in the existing system. UNHCR should ensure that all field offices/implementing partners maintain adequate records of properties and carry out periodical physical verification (ibid., paras. 113-119).

Consultants, experts and temporary assistance

16. Irregularities noted in the appointment of consultants included retrospective appointments, appointments of consultants against regular assignments, omission to obtain evaluation reports on consultants' performance and the granting of continuous appointments without the required break in service. The Board recommended that retrospective appointment of consultants should be made only under exceptional circumstances. Moreover, the performance of consultants should be evaluated at the end of each contract period (ibid., paras. 130-133).

Cases of fraud and presumptive fraud

17. The Board was provided with information on one case of fraud that became known to UNHCR during 1994. This was perpetrated by a staff member in Cyprus and involved a total amount of $1,650. Disciplinary action in the form of summary dismissal was taken against the staff member.

(Signed) Codanda Ganapathi SOMIAH
Comptroller and Auditor General
of India

(Signed) Sir John BOURN
Comptroller and Auditor General
of the United Kingdom of Great
Britain and Northern Ireland

(Signed) Osei Tutu PREMPEH
Auditor-General of Ghana

Notes

a/ Official Records of the General Assembly, Fiftieth Session, Supplement No. 5D (A/50/5/Add.4), sect. II.

b/ Ibid., Supplement No. 5E (A/50/5/Add.5), sect. I.